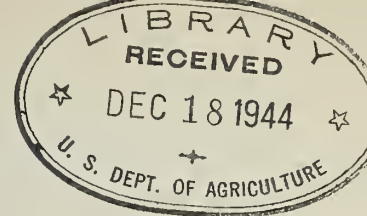


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UNITED STATES DEPARTMENT OF AGRICULTURE
Surplus Marketing Administration



No. 2

SMA DEFENSE LETTER

Wash., D.C., Dec. 11, 1941

MISUNDERSTANDING REGARDING SUPPORT OF PRICES of farm products by USDA should be cleared up. Prices of agricultural commodities are not guaranteed by Secty of Agriculture. Dept info material on this should show that prices are being supported and will be supported in accordance with the Steagall amendment (85% of parity) until notice of discontinuance. Case in point is number of complaints that prices received by farmers for chickens in some mid-west localities are not 15 cents per lb as "guaranteed" by USDA.

FACTS: In launching Food for Defense drive in April, Dept said that assuming continuation of existing price relationships and taking seasonal variations into account, purchases would be made in the open market to support long term prices (Chicago basis) at levels that would provide a price for chickens of 15 cents per lb. It was pointed out that these prices would be subject to customary commercial differentials for market grades and qualities. This is NOT a guarantee of 15 cents per lb on farm as has been interpreted in some instances. In announcing the Dept's program to meet increased food need in Sept, Secty Wickard said: "In this emergency I have found it necessary to encourage expansion of the production of hogs, eggs, evaporated milk, dry skim milk, cheese and chickens . . . I have today made formal public announcement that the Department of Agriculture will support prices for these commodities until December 31, 1942 at not less than 85 percent of parity." Average US farm price for chickens on Nov 15 was 15 $\frac{1}{2}$ cents per lb (95% of parity). Possibility of reported prices of only 9 to 11 cents per lb on some local markets is understandable. Dept poultry experts feel part of explanation of low prices in some localities is that farmers have expanded cockeral production considerably and are competing with commercial broiler producers, located closer to population centers, who are turning out a finished product. SMA purchases of chicken for Lend-Lease totalled 3,334,664 lbs, canned-boned, thru Nov 31 (equivalent of 16,500,000 lbs live weight). Expansion of purchases now being considered.

RE-APPRAISEMENT OF 1942 PRODUCTION GOALS in view of WAR has been directed by Secretary Wickard. Dept officials under BAE leadership are at work, also with instructions to look ahead to 1943 and beyond.

ANNOUNCEMENT OF PRODUCTION GOALS AND PROGRAM for major canning vegetable crops is expected during week of Dec 15th. In discussing situation with Fruit & Vegetable Conference of Farm Bureau annual meeting in Chicago Dec 8, Administrator Hendrickson indicated that there will be definite price support for these canned products and that this will be translated to producer prices by a definite formula that will be part of the program. (See enclosed copy of speech -- bottom of page 5 for part SDB part in program.)

DAIRY PLANT EXPANSION PROGRAM, including financial aid for approved Co-ops and help for private plants and Co-ops in getting equipment priorities and tax amortization, expected soon. As outlined in last week's letter, the proposed plan to meet war-time needs for cheese, evaporated and dry-skim milk calls for temporary loans from Bank for Co-ops (FCA) to Co-ops approved

by SMA for expansion of facilities. Upon completion new facilities would be purchased with Lend-Lease funds. Co-ops would lease equipment or facilities. SMA would administer program and Co-ops would sell expanded production to Govt.

OF NOTE: There will be a special meeting of Information section heads and administrative officials of various USDA agencies represented on State Defense Boards in the nine Northeastern States in New York City, Dec. 17 to develop a general plan of DB information which can be adapted to the particular needs of these States. (Administrative and Information representatives from the SMA regional office in Philadelphia will attend.)

LEND-LEASE FOOD DELIVERIES TO BRITAIN during October reached a total of 550,000,000 pounds valued at \$60,000,000. This brings total food and other farm commodities delivered to British to more than 2,200,000,000 pounds, valued at \$250,000,000, from April to November 1. (See enclosed release.)

FOOD BUYING WITH BLUE STAMPS totalled \$9,100,000 in October, adding this amount of farm products to the diets of the more than 3,400,000 persons eligible to receive them during the month. About 32% of the stamps went for vegetables, 25% for flour and cereals, 22% for eggs and 21% for fruits. Moved through blue stamps during the month were 45,000,000 lbs of potatoes, 46,000,000 lbs of flour, 6,000,000 dozen eggs, 14,000,000 lbs fresh apples, 2,500,000 dozen oranges, 4,200,000 lbs fresh pears, 2,000,000 lbs prunes and 1,800,000 lbs raisins. (See enclosed release)

SUGGESTED READING: Releases enclosed.

Agriculture organizes for Post-War program. (Covered in last letter)
National Defense Garden Program to be Launched. (For policy regarding defense garden work)

Only 4% Low-Income Farmers in Good Health. (This FSA survey is of interest in connection with SMA programs.)

SMA REPRESENTATIVES ON DEFENSE BOARDS: Queries or needs for spot information may be sent directly to Administrator Hendrickson, SMA, Washington, D. C.